Franchise Tax Board

ANALYSIS OF AMENDED BILL

Author:	Torklason & Migden	Analyst:	Kristina E. North	Bill Number:	AB 1626
Related Bills:	See Legislative History	Telephone:	845-6978	Amended Date:	January 20, 2000
		Attorney:	Patrick Kusiak	Sponsor:	

SUBJECT: Low-Income Housing Credit/Increase Maximum Aggregate Amount To $50,000,000 For Calendar Years After 1999

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would increase the aggregate allocation amount for the low-income housing credit to $50 million for each calendar year after 1999.

SUMMARY OF AMENDMENT

The January 20, 2000, amendment deleted the building standards provisions and inserted the provision discussed in this analysis.

EFFECTIVE DATE

This bill would take effect immediately upon enactment and apply to taxable and income years beginning on or after January 1, 2000.

LEGISLATIVE HISTORY

AB 97 (Ch. 893, Stats. 1999) - provided that the chapter authorizing the Tax Credit Allocation Committee (the Committee) to allocate the credit would remain in effect as long as the federal low-income housing credit is in effect.

AB 168 (Ch. 9, Stats. 1998) - increased the maximum annual allocation amount to $50 million for calendar years 1998 and 1999 only.

SPECIFIC FINDINGS

Current federal law allows a credit for the costs of constructing or rehabilitating low-income housing. The credit amount varies depending on several factors, including when the housing was placed in service and whether it was federally subsidized. The credit is claimed over ten years. A state authority created to oversee the process must allocate the credit.

Current state law conforms to federal law except that the state credit is claimed over four years, is limited to projects located in California, and is allocated in amounts that may vary. Prior to 1998, the Committee was allowed to allocate an annual maximum of $35 million, plus unused or returned credit amounts from prior or current years. The $35 million was increased to $50 million for calendar years 1998 and 1999. The committee provides listings of qualified taxpayers to the Franchise Tax Board.

Board Position:			Department Director	Date
____ S	____ NA	____ NP	Gerald H. Goldberg	2/17/00
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This credit may reduce the regular tax below the tentative minimum tax for purposes of the alternative minimum tax calculation. If the credit exceeds the tax, the excess may be carried over.

This bill would increase the low-income housing credit allocation amount to $50 million for each calendar year after 1999.

Implementation Consideration

Implementation of this bill would not significantly impact the department's programs and operations.

FISCAL IMPACT

Departmental Costs

This bill would not significantly impact the department's costs.

Tax Revenue Estimate

The revenue losses under the B&CT and PIT laws are estimated to be as follows:

Estimated Revenue Impact of AB 1626 Assumed Enactment After 6/30/00 (In Millions*)					
2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006
-	(Minor)	-$4	-$8	-$12	-$15

*After rounding.

It is anticipated that approximately 70% of the revenue loss would be attributable to B&CT, with the balance to PIT. Additionally, this estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this proposal.

Tax Revenue Discussion

The revenue impact of this bill would depend upon the amount of additional credit allocations for low-income housing by the California Tax Credit Allocation Committee and additional credits used in subsequent years upon completion of projects.

The revenue estimate reflects applied credits in the respective years and was determined in several steps. First, the dollar amount of approved credits was obtained from the California Tax Credit Allocation Committee. According to the Committee, approved credits in 1999 totaled $50 million. Assumptions were made that if the increase (from $35 to $50 million) were extended for the calendar year 2000 and each calendar year thereafter, the entire $50 million would be allocated. Second, the amount of credit applied against available tax liabilities was based on information from the California Tax Credit Allocation Committee and actual tax return data for reported low-income housing credits.

According to the Committee, the majority of the low-income housing credits are normally allocated in advance of project completion and would most likely not be claimed for tax purposes until the second and third year after the credit is allocated by the Committee.

BOARD POSITION

Pending.